

MINUTES

MONTANA SENATE 56th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **CHAIRMAN CHUCK SWYSGOOD**, on April 6, 1999 at 8:00 A.M., in Room 108 Capitol.

ROLL CALL

Members Present:

Sen. Chuck Swysgood, Chairman (R)
Sen. Tom Keating, Vice Chairman (R)
Sen. Tom A. Beck (R)
Sen. Chris Christiaens (D)
Sen. William Crismore (R)
Sen. Eve Franklin (D)
Sen. Greg Jergeson (D)
Sen. Bob Keenan (R)
Sen. J.D. Lynch (D)
Sen. Dale Mahlum (R)
Sen. Ken Mesaros (R)
Sen. Ken Miller (R)
Sen. Arnie Mohl (R)
Sen. Linda Nelson (D)
Sen. Debbie Shea (D)
Sen. Mike Taylor (R)
Sen. Daryl Toews (R)
Sen. Mignon Waterman (D)

Members Excused: None.

Members Absent: None.

Staff Present: Shannon Gleason, Committee Secretary
Pam Joehler, Legislative Branch
Taryn Purdy, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 252, HB 14, HB 608, HB 7,
HB 15, HB 127, HB 420, HB 92,
HB 9, 4/3/1999

Executive Action: HB 9, HB 7, AND PARTIAL HB 14

HEARING ON HB 252

Sponsor: REP. DOUG MOOD, HD 58, MISSOULA

Proponents:

Peter Blouke, Department of Commerce
Ralph Peck, Department of Agriculture
Gene Vuckovich, Montana Rural Development Port
Ralph Khoser, Department of Commerce, Small
Business Development Counsel (SBDC)
Shirley Beck, Sapphire Gallery
Dick Crofts, Commissioner of Higher Education
Jim Davidson, Montana Economic Development
Association (MEDA)
Jim Smitham, Montana Ambassadors
Bob Taylor, Montana Manufacturing Extension
Center
John Youngberg, Montana Farm Bureau
Montana Stockgrowers Association
Montana Grain Growers
Ken Maki, Montana Farmers Union
George Dennison, University of Montana
Connie Daniels, Headwaters RC&D
Randy Hanson, Montana Rural Development
Tim Ryan, Executive Director High Plains
Development Authority
Richard Krott, Rocky Mountain Trade Coordinator
Evan Barrett, Montana Economical Development
Association (MEDA)
Butte Local Development Corporation
Don Allen, Western Environmental Trade
Association
Tom McCoy, Montana State University
Billie Lee, MEDA Lake County
Ron Ueland, Self
Gail Jester, Helena Industries
Webb Brown, Montana Chamber of Commerce
John Cadby, Montana Bankers Association
Gloria Paladichuck, Richland Economic Development
Cathy Conover, Montana State University
SEN. LINDA NELSON, SD 49, Medicine Lake

Opponents: None

Opening Statement by Sponsor:

REP. MOOD advised this bill was a result of the Jobs and Income Committee and originally appropriated \$7,200,000.00. There is currently only \$2,000,000.00 appropriated in the bill. **REP. MOOD** explained the Jobs and Income Commission in addition to o section seven had been amended out of the bill. The rest of the appropriations have been cut in half. **Rep. Mood** stated the remaining programs were identified and recommended by the 2005 task force and other focus groups as programs needed by the state to further the economic climate.

Proponents' Testimony:

Peter Blouke, Department of Commerce, advised this was a cornerstone to the Jobs and Income Development package proposed by the Governor. **Mr. Blouke** felt the programs would help Montana move up in the ranking for economic development, help existing businesses, attract new businesses, and provide jobs with livable wages. **Mr. Blouke** noted this supports small businesses.

Ralph Peck, Department of Agriculture, stated the department worked closely with the 2005 task force to develop a plan for the future of agriculture. **Mr. Peck** presented an amendment for consideration, **EXHIBIT(fcs74a01)**.

Gene Vuckovich, Montana Rural Development Partners, read **EXHIBIT(fcs74a02)**.

Ralph Khoser, Montana Small Business Development Center, stated the small business program was the nuts and bolts of economic development. **Mr. Khoser** advised the program was a Federal Program with centers located regionally within the state. **Mr. Khoser** was concerned because the federal match was in jeopardy as there was insufficient state money to match. **Mr. Khoser** felt there was a return on investment for the money provided by the state and passed out **EXHIBIT(fcs74a03)** and **EXHIBIT(fcs74a04)** and reviewed the numbers for the committee. {Tape : 1; Side : A; Approx. Time Counter : 8:20}

Shirley Beck, The Sapphire Gallery, read **EXHIBIT(fcs74a05)**.

Dick Crofts, Commissioner of Higher Education, rose in support of the bill and felt it was a reasonable proposal for economic development.

Jim Davidson, MEDA, read **EXHIBIT(fcs74a06)**.

Jim Smitham, Montana Ambassadors, read **EXHIBIT(fcs74a07)**.

Bob Taylor, Montana Manufacturing Extension Center, handed out **EXHIBIT(fcs74a08)**, and reviewed it with the committee. **Mr. Taylor** advised the program funds had been cut in half and felt the funding needed to be restored as the programs were essential for the state. *{Tape : 1; Side : A; Approx. Time Counter : 8:43}*

John Youngberg, Montana Farm Bureau, urged the committee to support the growth through agriculture program and listed neighboring states and Canada's contribution for their program. **Mr. Youngberg** also thought the agriculture program was an investment to the state, not a cost.

Ken Maki, Montana Farmers Union, advised Montana is changing and there were many struggles facing agriculture. **Mr. Maki** felt the Co-operative Development Center should be reinstated.

George Dennison, University of Montana, rose in support of the bill. **Mr. Dennison** stated the university campuses were very involved in economic development working with small businesses and the Department of Commerce.

Connie Daniels, Headwaters RC&D, read **EXHIBIT(fcs74a09)**. *{Tape : 1; Side : B; Approx. Time Counter : 0}*

Randy Hansen, Montana Rural Development, advised the committee the programs in the bill were all tools needed to improve Montana. **Mr. Hansen** felt if one piece of the puzzle was missing the entire program would fall apart and urged the committee to restore full funding of the programs.

Tim Ryan, High Plains Development Authority, thought the **Small Business Development Council** was a needed resource for all businesses. **Mr. Ryan** gave examples of businesses that had been assisted.

Richard Krott, Rocky Mountain Trade Corridor (RMTTC), stated the mission of the RMTTC was to assist developing exporting markets. Montana resources are not competitive in the market place and **Mr. Krott** felt this was a result of the state not investing in the programs like others do.

Evan Barrett, MEDA, urged the committee to restore the original funds. **Mr. Barrett** felt the original bill was well thought out and designed by the grass roots of Montana, and as it sits the program was incomplete. **Mr. Barrett** advised the committee there were programs in section 13 eliminated because the entire section

was removed. He urged the committee to replace four programs: Certified Communities, a state program for local and state efforts to recruit businesses, Local Leadership, and Small Business Innovative Research. **Mr. Barrett** handed out **EXHIBIT (fcs74a10)**.

Don Allen, Western Environmental Trade Association, felt it was important to have input from people who have succeeded in business. He was disappointed that the commission idea was scrapped. **Mr. Allen** noted there was no way to measure the effectiveness of the program.

Tom McCoy, Montana State University, supported the bill and asked that the funding be restored to the original level. *{Tape : 1; Side : B; Approx. Time Counter : 8:55}*

Billie Lee, MEDA Lake County, explained they served a rural community and although they are the fourth fastest growing county, **Ms. Lee** noted the farming income has been declining since 1992. **Ms. Lee** felt the increased bureaucracy argument was not valid and the funds should be distributed on a need basis. **Ms. Lee** reviewed several jobs and businesses that are running because of the programs.

Ron Ueland stated this was a critical time for agriculture in the state. **Mr. Ueland** felt there was an agriculture revolution going on and Montana was on the sidelines. **Mr. Ueland** thought it was time to invest in entrepreneurship.

Gail Jester, Helena Industries, advised there were limited resources in the state to assist in establishing manufacturing facilities that were cost accessible to the people. **Ms. Jester** noted Helena Industries would not have been able to start their manufacturing facility without the assistance of Montana Manufacturing Services and asked that their funding be restored.

Webb Brown, Montana Chamber of Commerce, stated manufacturing and agriculture were critical to the state and urged the committee to support the bill with restored funding.

John Cadby, Montana Bankers Association, rose in support of the bill.

Gloria Paladicheck, Richland Economic Development, urged the committee to restore part of section 13, as it was essential to Eastern Montana.

Cathy Conover, Montana State University, informed the committee of the number of jobs and increased incomes the Manufacture Extension Centers had generated or saved, and asked the committee to restore the funding for the programs.

SEN. NELSON asked to be listed as a proponent.

Questions from Committee Members and Responses:

SEN. WATERMAN wanted to know when the last Certified Community was established. **Andy Poole**, Department of Commerce, advised it was in 1995. **SEN. WATERMAN** asked why that was. **Mr. Poole** advised it was because of lack of funds and there was not a pool of people within the local communities for support.

SEN. NELSON wanted to know where the leadership portion was located. **Mr. Vuckovich** advised it was in section 13, however that section was amended out.

SEN. KEATING commented that the apprenticeship training was cut and asked if there was an apprenticeship training program being funded in another bill. **Mr. Poole** advised it was funded in **HB 2**.

SEN. CHRISTIAENS asked how the department would measure the outcome of the programs. **Mr. Poole** advised there were charts for specific objects the department was striving to achieve and advised he would provide them for the committee.

SEN. CHRISTIAENS asked **Mr. Poole** to explain the new oracle licensing system, and why the fees were increasing so much. **Mr. Poole** advised there would be a one time only increase in the fees to set everyone up on the system. Once the system was running the fees would be decreased.

SEN. MAHLUM referred to section two and asked if the department already received money to be used for increased trade efforts. **Mr. Poole** advised \$200,000.00 in bed taxes were used to promote travel and film development in foreign markets.

SEN. MAHLUM, asked if the additional money requested by **Ralph Khoser** was for programs similar to the Vo-Tech's, Department of Commerce, and some universities were using. **Mr. Khoser** advised the program was called **Next Level** and was a practical training being done by some chambers. **{Tape : 1; Side : B; Approx. Time Counter : 9:15}**

SEN. TOEWS commented the money does not look sufficient to accomplish what it was designed to do. **REP. MOOD** advised this money was in addition to funding already in place. **Mr. Blouke** advised there were a number of new proposals included in the bill and the additional funds were to assist programs already established and operating on very limited budgets.

SEN. KEATING asked why section one was in this bill rather than **HB 2**. **Mr. Blouke** advised it was in there to send a message that Montana was moving forward.

Closing by Sponsor:

REP. MOOD stated Montana was filled with small businesses and people were dependent on the programs contained in this bill to survive.

Several letters of support are enclosed in the exhibits in the meeting minutes.

HEARING ON HB 14

Sponsor: **REP. ROYAL JOHNSON, HD 10, BILLINGS**

Proponents:

Betty Babcock,	Former First Lady
Dick Crofts,	Commissioner of Higher Education
George Dennison,	University of Montana
Sheila Stern,	Chancellor of Western Montana College
Cathy Conover,	Montana State University
Ingrid Danielson,	Department of Labor and Industry
Rick Day,	Department of Corrections
Ben Darrow,	University of Montana(U of M),Students
Lois Menzies,	Department of Administration
Jake Ankeny,	Montana State University students
Roger Hagen,	National Guard
Mike Mahoney,	Montana State Prison
Willie McCarthy,	University of Montana

Opponents: None

Opening Statement by Sponsor:

REP. JOHNSON passed out and reviewed a list of the projects contained in the bill, **EXHIBIT(fcs74a11)**. **REP. JOHNSON** advised this was the Governors's bonding bill and included several

deferred maintenance projects. **{Tape : 2; Side : A; Approx. Time Counter : 0}**

Proponents' Testimony:

{Tape : 2; Side : A; Approx. Time Counter : 9:25}

Betty Babcock read **EXHIBIT(fcs74a12)**.

Dick Crofts, Commissioner of Higher Education, urged the committee to support the three university projects: the library at MSU Bozeman, the \$2,000,000.00 for campus maintenance, and the Rural Technology Center located at Western.

George Dennison, University of Montana, felt the projects for the universities assisted students and the local communities.

Sheila Stearns, Chancellor at Western Montana College, advised the committee the library expansion project also included deferred maintenance for the library.

Cathy Conover, Montana State University, passed out **EXHIBIT(fcs74a13)** and reviewed the safety concerns involved with the building.

Ingrid Danielson, Department of Labor and Industry, advised the Job Service building is extremely inadequate and not designed for the technology being used.

Ralph DeCunzo, Department of Military Affairs, stated they had three projects and urged support for them. **Mr. Decunzo** advised the committee some existing building would be offered to the state for use and the department was consolidating operations to reduce costs. **Mr. DeCunzo** advised **HB 14** finances several projects by utilizing Federal funds. **{Tape : 2; Side : A; Approx. Time Counter : 9:45}**

Rick Day, Department of Corrections, handed out a fact sheet **EXHIBIT(fcs74a14)** and reviewed the projects. **Mr. Day** also handed out and reviewed an amendment, **EXHIBIT(fcs74a15)**, he asked the committee to consider. **Mr. Day** reminded the committee the corrections budget was \$5,500,000.00 below the executive request.

Ben Darrow, U of M Students, rose in support of the improvements on the campuses and explained the students have increased fees and paid for renovation to several university class rooms.

Lois Menzies, Department of Administration, rose in support of the Capitol building renovation.

Jake Ankeny, MSU Students, urged support for the library renovation at Bozeman.

Roger Hagen, Nation Guard, submitted a witness statement, **EXHIBIT (fcs74a16)**.

Mike Mahoney, Warden from Montana State Prison, stressed the need for the reception unit and explained the department's attempt to reform their approach to corrections. The reception unit is the key component for the departments reorganized reform program.

Willie McCarthy, U of M, rose in support of the bill.

Questions from Committee Members and Responses:

SEN. LYNCH pointed out this bill had a difficult time passing the House and questioned adding amendments, thus allowing it back in the House. **Mr. Mahoney** felt the reception area was important enough to take the risk.

SEN. CHRISTIAENS wanted **Mr. Day** to explain the need to repay the \$240,000.00 in Federal funding for the **Cook Chill** system. **Mr. Day** explained last session the Legislature advised there would be an opportunity to expand the facility so the department applied for and received funding for the **Cook Chill** program. **Mr. Day** advised if the expansion was not to occur the funds received under that presumption would need to be repaid.

SEN. CHRISTIAENS wanted to know when the funds would have to be repaid. **Mr. Day** stated it would be within the next fiscal year.

SEN. BECK questioned the request for \$526,497.00 for the Missoula Regional Facility and asked if the project was included when the department requested money from Long Range Planning. **Mr. Day** advised it was not. The department just recently received the documentation supporting the overage for the facility in Missoula. **SEN. BECK** assumed the job was on a contract and asked if they were over budget on the contract. **Mr. Day** advised the department does not bid the contract, and that represents the state's share of the final square foot calculation. **Mr. Day** explained the cost per cell and thought projects in association with counties was a way to go.

SEN. BECK inquired how the Great Falls project was handled. **Mr. Day** stated it was a different situation because there was

appropriation of \$9,000,000.00 for regional prisons and the contract contained a clause for a higher state share.

SEN. BECK was concerned if the bill was amended it would be killed in the House. **REP. JOHNSON** agreed it would have a hard time getting out and pointed out the number of votes needed to concur the bill.

SEN. WATERMAN asked if the department had a letter stating the Federal Government was requiring the funds for **Cook Chill** to be repaid. **Mr. Day** advised he had a personal conversation and possibly a preliminary letter. **Mr. Day** advised the committee he was going to contest the recall of the funds.

SEN. TAYLOR asked what the **Shelby** unit bed cost was. **Mr. Day** advised it would be \$49.00 per day. **SEN. TAYLOR** advised he meant the construction cost. **Mr. Day** stated it was \$50,000.00, the national average exactly.

CHAIRMAN SWYSGOOD stated it was the intent of the committee to not make any changes to the bill.

{Tape : 2; Side : B; Approx. Time Counter : 0}

Closing by Sponsor:

REP. JOHNSON closed.

The committee took a break until 10:30

HEARING ON HB 127

Sponsor: **REP. ROYAL JOHNSON, HD 10, BILLINGS**

Proponents: **Mary Ann Wellbank,** Department of Public Health and Human Services (DPHHS)
Bridget Case, Montana People's Action
Rebecca Dorobis, Montana People's Action
Michelle Lee

Opponents: None

Opening Statement by Sponsor:

REP. JOHNSON advised HB 127 was an omnibus bill for the **DPHHS**. **REP. JOHNSON** felt the bill was complicated and addressed several issues, including the **Dorwart** case and the \$7.00 fee for collection of child support.

Proponents' Testimony:

Mary Ann Wellbank, DPHHS, handed out **EXHIBIT(fcs74a17)**, and read it for the committee. **Ms. Wellbank** also handed out amendments **EXHIBIT(fcs74a18)**, **EXHIBIT(fcs74a19)**, and **EXHIBIT(fcs74a20)** and reviewed them for the committee. **Ms. Wellbank** advised the DPHHS usually has an omnibus bill to correct and adjust policy and language as needed by the department.

Bridget Case, Montana People's Action, read **EXHIBIT(fcs74a21)**, a letter from **Judy Sanderson**.

Rebecca Dorobis, Montana People's Action, read **EXHIBIT(fcs74a22)**.

Michelle Lee addressed the committee specifically to request the department not be allowed to collect the \$7.00 fee. **Ms. Lee** felt it did add up and meant a lot. **Ms. Lee** stated they were for services provided by the Child Support Enforcement Division (**CSEF**) and as a tax payer she felt she already paid for the service. **Ms. Lee** noted the service is not provided by another person or department so the clients could not go elsewhere, thus they were captive customers. **Ms. Lee** added there were two law suits pending against the collection of the fees.

Questions from Committee Members and Responses:

SEN. MAHLUM asked **Ms. Lee** if all support payment went through **CSED**, **Ms. Lee** advised they don't all go through **CSED**, however she noted the District Court does not have the same enforcement authority **CSED** does. **SEN. MAHLUM** wanted to know if the child support was not paid did the state enforce the support. **Ms. Lee** advised it did. **SEN. MAHLUM** asked if the support was paid direct if the fee was charged. **Mr. Lee** stated it was not.

SEN. BECK wanted to know what the other fees were for. **Ms. Wellbank** stated if the department requests other agencies to intercept money for them the other departments charged a fee for handling. **SEN. BECK** wanted to know how much the fee was. **Ms. Wellbank** thought it was about \$8.00.

SEN. KEATING wanted to know who the obligor and the obligee were. **Ms. Wellbank** explained the obligor was the parent paying support. **Ms. Wellbank** explained the Federal requirement was the obligor had to be fully credited for the money paid, that left the obligee to pay the fees. **SEN. KEATING** asked if the fee could be added to the request of the bill. **Ms. Wellbank** advised that could happen if the obligor was current in payments. **Ms. Wellbank** explained what happened if the person was behind.

SEN. WATERMAN wanted someone to point out where in the bill the language was not authorizing the department to collect the \$7.00 fee. **Ms. Wellbank** advised page 10 line 14.

SEN. TOEWS referred to the exhibit 17 and asked about the 40,000 cases. **Ms. Wellbank** advised there were 40,000 cases, however not all were support cases. **SEN. TOEWS** asked if it was 40,000 people or multiple cases per individuals. **Ms. Wellbank** stated it was more than 40,000 people and involved people residing in other states.

SEN. MAHLUM wanted to know what happened if a parent does not pay. **Ms. Wellbank** advised case enforcement action would be taken. **SEN. MAHLUM** stated if **DPHHS** was not there people would not get paid. **Ms. Wellbank** agreed but said people could go to the District Court for assistance. *{Tape : 2; Side : B; Approx. Time Counter : 11:00}*

Closing by Sponsor:

REP. JOHNSON thought this bill needs to have the department amendments added. **REP. JOHNSON** agreed it was too bad the court awarded money and fee repayment as it did, however pointed out the Legislature could not override them and stated if the fees are not deducted it will cost \$2,000,0000.00 in General Fund. **REP. JOHNSON** felt the program works and that is why people use it.

HEARING ON HB 420

Sponsor: **REP. RICK DALE, HD 39, WHITEHALL**

<u>Proponents:</u>	Frank Gilmore,	Montana Tech
	Russ Ritter,	Montana Resources
	Ray Tilman,	Montana Resources
	Dennis Burr,	Montana Tax Payers Association
	Webb Brown,	Montana Chamber of Commerce
	Frank Crowley,	Asarco

<u>Opponents:</u>	J.R. Richardson,	Butte School District
	SEN. J.D. LYNCH, SD 19, BUTTE	
	Amy Myhre,	Montana Association of Hard Rock Mining

Opening Statement by Sponsor:

REP. DALE explained this bill would correct what he thought was a bad tax policy regarding the inability of the mining companies to deduct the cost of transporting products to smelter. **REP. DALE** stated this tax was originally going to be temporary, and is selective and punitive. **REP. DALE** explained the repeal would affect two companies operating in the state, **StillWater Mine** and **Montana Resources Inc..** **REP. DALE** felt this break is need to help the mines in a failing economy and was a tax fairness issue. **REP. DALE** acknowledged this would affect local governments, but felt the small effect now was better that the possible effect if the mines were to shut down. {Tape : 3; Side : A; Approx. Time Counter : 0}

Proponents' Testimony:

Frank Gilmore, Chancellor at Montana Tech, felt if this bill were passed one obstacle would be removed by the Legislature. **Mr. Gilmore** thought passage of the bill would send a message to the mining industry the state wanted them to stay and the alternative would be to lose mines. **Mr. Gilmore** explained the reduced price minerals were bringing had a substantial impact on the industry. Butte would lose \$40,000.00 in taxes and the school district would lose \$78,000.00. **Mr. Gilmore** felt it would be foolish to risk the mine closing, and losing \$10,000,000.00 in taxes and 326 jobs.

Russel Ritter, Montana Resources Inc., handed out **EXHIBIT(fcs74a23)** and explained the charts in the book. **Mr. Ritter** stated the mine was unable to haul on **MRL** and there was no chance the Anaconda Smelter would reopen.{Tape : 3; Side : A; Approx. Time Counter : 11:25}

Ray Tilman, Montana Resources Inc., stated it was difficult to compete in the copper arena at the current time. The copper price has dropped and the nearest smelter is 1500 miles away. The mining companies have to pay to transport the material and are taxed on the gross sales of product. Most companies are allowed to deduct the cost of transporting their product, the mining companies in the state are not. **Mr. Tilman** explained the history of the tax and assured the committee the circumstances that occurred in the past could not happen again. **Mr. Tilman** stated it would cost over \$1,000,000,000.00 for an environmental impact statement to build a smelter and the company was not in a position for that. **Mr. Tilman** noted the employees of the mine have taken cuts in pay and benefits and the suppliers are assisting the mine by reducing costs.

Dennis Burr, Montana Tax Payers Association, rose in support of the bill and felt the current law was not good tax policy. The original purpose of the current law was to provide stability to local governments and was a good idea when the copper prices were higher, but times change and this tax needs to change.

Webb Brown, Montana Chamber of Commerce, felt this was a legitimate business expense and the tax should be corrected to allow the companies the deduction.

Frank Crowley, Asarco, gave the history of Asarco and added it is a 49% owner in Montana Resources. **Mr. Crowley** noted the company is struggling to regain profitability and stay in Montana. **Mr. Crowley** listed two reasons he felt the tax should be corrected: revenues are taxed that the company never receives, and the profitability of Asarco and Montana Resources would increase, thus allowing the companies to be competitive.

Opponents' Testimony:

J.R. Richardson, Butte School District, acknowledged Montana Resources does pay a large number of taxes, but this would result in the school district not having sufficient funds for maintenance and the tax burden would have to be shifted to repay bonds.

SEN. LYNCH rose in opposition of this bill and stated it would have a drastic effect on the citizens of Butte. **SEN. LYNCH** felt the tax probably was unfair but did not feel the school district could afford the loss with out the state trying to make this revenue neutral. **SEN. LYNCH** was concerned with the retroactive effective date.

Amy Myhre, Montana Association of Tax Paying Counties, was a reluctant opponent to the bill because she supported mining and fair taxes, but the citizens of Butte could not afford to replace the tax loss. **Ms. Myhre** urged the committee to find a way to replace the loss. {Tape : 3; Side : A; Approx. Time Counter :11:45}

Questions from Committee Members and Responses:

SEN. KEATING wanted to know the price for shipping and the gross proceeds rate of tax. **Mr. Tilman** advised the rate to haul was .09 and the gross proceeds tax was approximately 3% times the mill levy, or about 1 1/2%. **SEN. KEATING** asked if there were other taxes. **Mr. Tilman** advised there was a metalliferous mine tax that was 1.81% times the total gross value, minus the

smelting and refining cost, or \$44,000,000.00. **SEN. KEATING** stated some of the tax was paid to the community as well so it was not as if this bill was reducing the total tax the mine company paid to the school district. **SEN. KEATING** wondered what other mines this bill would affect. **Mr. Tilman** advised Montana Tunnel hauls their product to East Helena, so there would be a small impact on them.

SEN. TAYLOR questioned if the overall tax structure caused Montana to be ranked low or if this tax affected the ranking. **Mr. Gilmore** advised it was a combination of state policy and taxes. **Mr. Gilmore** stated the cyanide initiative will have a huge effect on Montana, and this tax was viewed as unfair so it did have some impact.

SEN. TAYLOR asked how much money the school district would lose if the mine failed totally. **Mr. Ritter** advised he could not break that information out specifically, but the overall taxes would be large.

SEN. BECK thought the impact was far greater in 1997 when this was first proposed. **Mr. Tilman** advised the mine has been scaling back on expenses to survive the tough times and he felt if the cost of copper was to increase so would the overall taxes because incomes would increase, and thus taxes.

SEN. LYNCH advised when times improved there should be a kicker to add the tax back. **Mr. Tilman** noted when the price of copper was higher the school district received a windfall because of the increased taxes paid, so it evens out.

SEN. KEATING asked what kind of grants and donations the company has given to the community. **Mr. Ritter** advised close to \$4,000,000.00, and listed several. **{Tape : 3; Side : B; Approx. Time Counter : 0}** **Mr. Tilman** also listed several projects the mine has donated to.

Closing by Sponsor:

REP. DALE advised one thing that should happen is consistency, and this would allow the tax to be fair and consistent for everyone. **REP. DALE** pointed out the employees at the mine have taken cuts and if ranchers or others in industry could not deduct transportation there would be an outcry.

The committee broke for lunch and reconvened at 1:00

{Tape : 3; Side : B; Approx. Time Counter :1:00}

HEARING ON HB 608

Sponsor: REP. ROGER SOMERVILLE, HD 78, KALISPELL

Proponents: Sandi Olsen, Association of Gifted and Talented
Education (AGATE)
Robert Olsen, AGATE
Nancy Coopersmith, Office of Public Instruction
Wayne Buchanan, Board of Education
Inga Nelson, Montan Education Association
Montana Federation of Teachers

Opponents: None

Opening Statement by Sponsor:

REP. SOMERVILLE read EXHIBIT(fcs74a24), and handed out
EXHIBIT(fcs74a25), talking points.

Proponents' Testimony:

Sandi Olsen, AGATE, read EXHIBIT(fcs74a26) and handed out the
packets inclosed in the minutes.

Robert Olsen, AGATE, read EXHIBIT(fcs74a27).

Nancy Coopersmith, Office of Public Instruction, rose in support
of the bill and added it would provide need resources for the
program. Ms. Coopersmith advised the committee the student don't
succeed without stimulation and without the needed resources they
will not reach their potential.

Wayne Buchanan, Board of Education, rose in support of the bill.

Inga Nelson, Montana Education Association, felt the bill
provided incentive money for local agencies.

Questions from Committee Members and Responses: None

Closing by Sponsor:

REP. SOMERVILLE read EXHIBIT(fcs74a28). REP. SOMERVILLE pointed
out talented children need and deserve as much recognition as
athletes and children with developmental problems. He then read
his conclusion and asked for a Do Concur. EXHIBIT(fcs74a29)

{Tape : 3; Side : B; Approx. Time Counter :1:13}

HEARING ON HB 92

Sponsor: REP. ROGER SOMERVILLE, HD 78, KALISPELL

Proponents: Jerry Wells, Trout Unlimited
Robert Collins, Natural Resource Damage Program
SEN. TOM BECK, SD 28, DEERLODGE
Joe Mazurik, Attorney General
Chris Tweeten, Department of Justice

Opponents: None

Opening Statement by Sponsor:

REP. SOMERVILLE read EXHIBIT(fcs74a30) and handed out a fact sheet, EXHIBIT(fcs74a31). REP. SOMERVILLE also handed out a book, EXHIBIT(fcs74a32) and referred to the table on page one of the book during his opening.

Proponents' Testimony:

Jerry Wells, Trout Unlimited, stated Trout Unlimited had been involved with mitigation of the Clark Fork for several years. Mr. Wells thought the Department of Justice did an excellent job in recovering funds from Arco and urged the committee to continue the process.

Robert Collins, Natural Resource Damage Program, stressed the recovery that has been received from Arco and felt the program should be continued and a program set up to allocate projects. Mr. Collins thought the spending of restoration dollars would be similar to TSEP.

Questions from Committee Members and Responses:

SEN. BECK asked what the time frame was for settling the lawsuit. Mr. Collins was unsure and thought possible a couple of years. Mr. Collins stated there would be no more loans for litigation and felt the program would be self sufficient once the funding was established.

SEN. BECK stated the bill was amended to require a 3/4 vote and asked if that was required. Mr. Collins advised it was.

SEN. WATERMAN thought the bill was introduced for only the money for the lawsuit. Mr. Collins advised it was introduced for both the lawsuit and planning process and referred to the book, exhibit 31.

SEN. KEATING asked if the lawsuit would go to court. **Mr. Collins** advised 2/3 of the suit has been settled and the remaining claims have had portions already tried. **Mr. Collins** felt **Arco** would settle but was unsure if it would happen prior to going to court. **Mr. Collins** mentioned **British Petroleum** was trying to purchase **ARCO** and they had much deeper pockets.

SEN. MOHL asked if the Fiscal Note had changed. **REP. SOMERVILLE** advised the impact was a total of \$136,000.00 including interest to the General Fund. **REP. SOMERSVILLE** thought there was an updated bill and noted the rate had been amended to allow the highest rate possible.

Chris Tweeten, Department of Justice was allowed to testify at this point. **Mr. Tweeten** handed out and explained **EXHIBIT(fcs74a33)**. **Mr. Tweeten** advised all money borrowed from the state for the lawsuit has been repaid with interest. **Mr. Tweeten** felt it was a good investment and there was substantial money left on the table to recover.

SEN. KEATING thought if a settlement was made there would be no way to recover the additional legal fees and asked for an explanation. **Mr. Tweeten** explained under the Superfund statute three types of damages could be recovered: restoration, compensable, and assessment of litigation costs. **Mr. Tweeten** explained each one and commented the litigation settlement was only through 12/31/1997, so there were still costs to recover. The restoration was settled. The compensable damages were partially settled, and would be settled when the remaining three sights were settled.

SEN. KEATING advised in the past General Funds were used and wanted to know why now it was Coal Trust money. **Mr. Tweeten** advised the House amended the bill to take from the Coal Trust.
{Tape : 4; Side : A; Approx. Time Counter : 0}

SEN. CHRISTIAENS asked when the remaining three sites were going to be settled. **Mr. Tweeten** stated they would be settled as the records of decisions were issued. These sights have considerable damage and the **EPA** has not completed the record of decision containing the remediation requirements. The settlement allows a 60 day period to negotiate the cost for restoration completion. **Mr. Tweeten** felt the first decision would be released very soon, and the last one in 2001.

SEN. WATERMAN stated money used last session was taken from Human Services and replaced into the General Fund and asked why that

was. **Mr. Tweeten** advised the money was going to revert to the General Fund anyway.

SEN. MAHLUM wanted to know what **ARCO** had paid in remediation. **Mr. Tweeten** advised **Arco** claims to have paid \$100,000,000.00 and he has no basis to dispute that, however they have not paid anything in restoration, and will not until the judge approves the settlement.

Judy Browning, Governor's Office, rose in support of the bill and stated the Governor supports the bill.

Closing by Sponsor:

Rep. SOMERVILLE commented there was \$198,000,000.00 drawing interest and has earned over \$10,000,000.00 in interest waiting for the judge to approve the settlement. That money should be released this summer, and a program needs to be implemented to ensure the restoration is completed. **REP. SOMERVILLE** noted the settlement contained provisions that allowed the money to be spent only on the cleanup related issues.

CHAIRMAN SWYSGOOD asked why the interest money could not be used for the legal fees. **Mr. Tweeten** advised Federal Law prohibited the money being used on anything other than restoration.

HEARING ON HB 7

Sponsor: **REP. MATT MCCANN, HD 92, HARLEM**

Proponents: **John Tubbs**, Department of Natural Resources and Conservation (DNRC)

Opponents: None

Opening Statement by Sponsor:

REP. MCCANN stated this bill contained the reclamation projects approved by the Long Range Building Committee and appropriated \$3,200,000.00 for the projects on page two. **REP. MCCANN** stated the **Silverbow** project was removed because of the **ARCO** settlement. The first money goes to the Board of Oil and Gas for clean up sites.

Proponents' Testimony:

John Tubbs, DNRC, rose in support of the bill.

Questions from Committee Members and Responses:

SEN. KEATING wanted to know what the Toston Smelter was. Mr. Tubbs explained by the Toston bridge there was an old smelter that contains heavy metal.

SEN. KEATING pointed out some of the metalliferous mine tax was used.

Closing by Sponsor:

REP. MCCANN closed.

{Tape : 4; Side : A; Approx. Time Counter :1:43}

HEARING ON HB 9

Sponsor: REP. MATT MCCANN, HD 92, HARLEM

Proponents: Judy Ericksen, Cultural Trust Panel

Opponents: None

Opening Statement by Sponsor:

REP. MCCANN advised this was the Culture and Asthenic grants funding bill. Section two allocated \$300,000.00 per year for backfill to replace money used to purchase **Virginia City**.

Proponents' Testimony:

Judy Ericksen, Cultural Trust Panel, rose in support of the bill.

Questions from Committee Members and Responses:

SEN. FRANKLIN wanted to place an amendment on the bill. CHAIRMAN SWYSGOOD asked her to wait for Executive action.

SEN. KEATING wanted to know who hears the grant request. CHAIRMAN SWYSGOOD advised the Long Range Building.

Closing by Sponsor:

REP. MCCANN advised if the bill was amended General Funds were used instead of trying to rearrange the priority list in the bill.

SEN. KEATING wanted to know how much was in the trust fund after **Virginia City** was purchased. **REP. MCCANN** advised it was about \$3,500,000.00 and 2 1/2% of the coal tax was refilling the fund.

EXECUTIVE ACTION ON HB 7

Motion: **SEN. LYNCH** moved that **HB 7 BE CONCURRED IN.**

Discussion:

SEN. WATERMAN wanted to know how many projects would be funded. **CHAIRMAN SWYSGOOD** advised the entire list would be funded.

Vote: Motion **carried unanimously.**

SEN. LYNCH was appointed to carry the bill.

EXECUTIVE ACTION ON HB 9

Motion: **SEN. BECK** moved that **HB 9 BE CONCURRED IN.**

Discussion:

Motion: **SEN. FRANKLIN** moved that **AMENDMENT HB000909.APJ EXHIBIT(fcs74a34) BE ADOPTED.** **SEN. FRANKLIN** explained traveling exhibits required funds to use, and the money should be General Fund.

SEN. LYNCH advised the committee did not approve the project.

Vote: Motion **failed 7-9 with Christiaens, Franklin, Jergeson, Lynch, Shea, Nelson, and Waterman voting aye.**

Motion: **SEN. NELSON** moved that **AMENDMENT HB000910.APJ EXHIBIT(fcs74a35) BE ADOPTED.**

Discussion:

SEN. NELSON explained there are people in Eastern Montana that do not get Montana news and this would help establish the station.

SEN. LYNCH asked if this was brought before the committee. **SEN. NELSON** advised it was not. **SEN. LYNCH** felt it was unfair to allow people who did not work on the grant proposal or submit a grant to come in on the end and get funding. He was concerned with the precedent it would set. **SEN. NELSON** advised because they did not get the news it was difficult to follow. **SEN. BECK** advised it was a problem in other Montana communities and they were able to get a grant in.

Vote: Motion failed 7-9 with Christiaens, Franklin, Jergeson, Lynch, Nelson, Shea, and Waterman voting aye.

Motion: **SEN. MAHLUM** moved that HB 9 BE AMENDED TO FUND THE FIVE RIVERS FESTIVAL IN MISSOULA BE ADOPTED.

Discussion:

SEN. MAHLUM explained the festival was cut from the list and he requested \$1000.00 be appropriated from the ending fund balance.

SEN. WATERMAN asked why it was removed. **SEN. LYNCH** thought it was because it was not ready. **SEN. MAHLUM** advised that was incorrect.

Vote: Motion failed 6-10 with Beck, Christiaens, Franklin, Shea, Mahlum, and Waterman voting aye.

Motion/Vote: **SEN. KEATING** moved that HB 9 BE CONCURRED IN. Motion carried 13-3 with Keenan, Miller, and Mohl voting no.

SEN. LYNCH was appointed to carry the bill.
{Tape : 4; Side : A; Approx. Time Counter :2:00}

HEARING ON HB 15

Sponsor: REP. TOM ZOOK, HD 3, MILES CITY

Proponents: Mary Bryson, Department of Revenue

Opponents: None

Opening Statement by Sponsor:

REP. ZOOK advised this bill funded phase two of the **POINTS** program for the Department of Revenue. **POINTS** is an updated computer system designed to enhance collection. **REP. ZOOK** advised the increased revenue would offset the cost and the department has been diligent in demonstrating better efficiency.

Proponents' Testimony:

Mary Bryson passed out and read **EXHIBIT(fcs74a36)** to the committee. **Ms. Bryson** advised in the 1997 session phase one was implemented. Since that time the department has saved 29 FTE, the budget was below base, and the request was not to build another stand alone system. **Ms. Bryson** pointed out the bill had been amended to address the Legislature's concern with **MT. PRIME.**
{Tape : 4; Side : B; Approx. Time Counter :2:20}

Questions from Committee Members and Responses:

SEN. KEATING asked how the projected benefits were determined. **Ms. Bryson** advised they were based upon current law and it was possible modifications may be needed to reflect the lower revenue anticipated due to tax cuts. **Ms. Bryson** stated the gap of people who owe and do not pay would still be reduced, and estimated the gap at 17% of the population.

SEN. KEATING asked if tax evaders would be caught. **Ms. Bryson** advised that is correct.

SEN. LYNCH wanted to know if the other states had purchased their equipment from the firm in New Delhi. **Ms. Bryson** advised there were three tax contractors and the states have gone in different directions depending on the purchase request.

Closing by Sponsor:

REP. ZOOK felt this program was a good deal and could possibly help in collection.

EXECUTIVE ACTION ON HB 14

Motion: **SEN. BECK** moved that **HB 14 BE CONCURRED IN.**

Discussion:

CHAIRMAN SWYSGOOD advised he would prefer there was no amendments.

SEN. JERGESON was nervous about passing out **HB 14** without having heard **HB 260.**

CHAIRMAN SWYSGOOD advised he did not feel **HB 14** would come into play with that bill.

SEN. LYNCH questioned the loss of the reception unit.

CHAIRMAN SWYSGOOD advised that would be dealt with in **HB 5** as well as the other request.

SEN. CHRISTIAENS asked about the Missoula Regional Center.

CHAIRMAN SWYSGOOD advised it was in **HB 5**.

Vote: Motion **carried unanimously**

ADJOURNMENT

Adjournment: 2:35 P.M.

SEN. CHUCK SWYSGOOD, Chairman

SHANNON GLEASON, Secretary

CS/SG

EXHIBIT (fcs74aad)